

Message Text

UNCLASSIFIED

PAGE 01 SAN JO 00065 01 OF 02 082111Z

63

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04

OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 FEA-01 INT-05

OES-05 IO-10 STR-04 AGR-10 AEC-07 CEA-01 /140 W

----- 096885

R 081347Z JAN 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8994

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY PANAMA

UNCLAS SECTION 1 OF 2 SAN JOSE 0065

GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS: EFIN ENRG CS

SUBJECT: ECONOMIC CRISIS: REVIEW OF LDC BALANCE OF
PAYMENTS SITUATION

REF: SAN JOSE 4868

STATE 275634

SUMMARY: THIS MESSAGE CONTAINS THE EMBASSY'S BALANCE OF
PAYMENTS ESTIMATES REQUESTED IN THE DEPARTMENT'S REFTEL.
NO DATA FOR 1974 IS YET AVAILABLE AND THE ESTIMATES GIVEN,
ESPECIALLY ON THE CAPITAL ACCOUNT, MUST BE REGARDED AS
PRELIMINARY. LACKING FIRM DATA FOR 1974, THE EMBASSY DOES
NOT HAVE A FIRM BASE FOR 1975 PROJECTIONS, WHICH MUST
ACCORDINGLY BE CONSIDERED HIGHLY PRELIMINARY AND SUBJECT TO
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PAGE 02 SAN JO 00065 01 OF 02 082111Z

REVISION AS MORE DATA BECOME AVAILABLE AND AS 1975 TRENDS

TAKE SHAPE. ON THE IMPORT SIDE IN PARTICULAR THE ESTIMATE FOR 1975 COULD VARY CONSIDERABLY DEPENDING ON THE VIGOR WITH WHICH COSTA RICAN GOVERNMENT IMPLEMENTS ITS IMPORT RESTRAINT PROGRAM.

IF THE EMBASSY'S ESTIMATES PROVE TO BE ACCURATE, COSTA RICA WILL HAVE A LESS DIFFICULT BALANCE OF PAYMENTS PROBLEM IN 1975 THAN IN HAD IN 1974. EXPORT RECEIPTS ARE EXPECTED TO RISE MODERATELY, MAINLY AS RESULT OF A BIG BOOST FROM HIGHER SUGAR PRICES PLUS INCREASED RECEIPTS FROM BANANAS. IMPORTS SEEM LIKELY TO RISE MUCH LESS THAN LAST YEAR BECAUSE OF DRAWDOWNS OF EXCESSIVE STOCKS WITHIN THE COUNTRY OF RAW MATERIALS AND FINISHED GOODS, DIMINISHING INFLATION, AND THE GOVERNMENT'S IMPORT RESTRAINT PROGRAM. THE CAPITAL ACCOUNT WILL BE BOLSTERED BY THE VENEZUELAN OIL LOAN AND BY INCREASED INFLOWS FROM INTERNATIONAL FINANCING ORGANIZATIONS, THE CENTRAL AMERICAN BANK, AND OTHER PUBLIC AND PRIVATE SOURCES ABROAD. THESE TRENDS, IF THEY MATERIALIZE, WILL ENABLE COSTA RICA TO BUILD UP ITS RESERVES TO A MORE COMFORTABLE LEVEL, BUT AT THE COST OF CONTINUED HEAVY BORROWING ABROAD. END SUMMARY.

1. THE FOLLOWING ARE THE EMBASSY'S PRELIMINARY ESTIMATES OF COSTA RICA'S BALANCE OF PAYMENTS FOR 1974 AND 1975 COMPARED TO AVAILABLE DATA FOR 1973. THE DATA DO NOT COME FROM ANY ONE SOURCE. RATHER, THE ESTIMATES ARE BASED ON MANY PIECES OF INFORMATION ASSEMBLED FROM CONVERSATIONS WITH MANY SOURCES.

COSTA RICAN BALANCE OF PAYMENTS

	ANNUAL	ANNUAL			
PRELIM-	EST.	CHANGE	PROJ.CHANGE		
I GOODS AND SERVICES	IN	ARY	1973	1974	IN VOL. 1975 IN VOL.
EXPORTS (FOB)	344.3	425	23&	495.0	16&
	ANNUAL	ANNUAL			
PRELIM-	EST.	CHANGE	PROJ.CHANGE		
GOODS AND SERVICES	IN	ARY	1973	1974	IN VOL. 1975 IN VOL.
1/					
COFFEE: VALUE	94.0	120.0	28&	105.0	-11&
VOLUME	72.9	82.5	#9.6 KG	70.0	-12.5 KGS.
PRICE/KG.	1.29	\$1.45	1.45	1.50	-

UNCLASSIFIED

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PAGE 03 SAN JO 00065 01 OF 02 082111Z

2/

BANANAS: VALUE HT	96.2	92.5	-4&	118.5	28&
VOLUME	1171.8	1,030.0	-141.8	1,185.0	#155 KG
PRICE /KG.	0.08	\$0.09	-	0.10	-
BEEF: VALUE	31.6	34.5	.9&	34.0	-1&
VOLUME	20.4	26.0	#5.6 KG	28.5	#2.5 KG
PRICE/KG.	1.55	\$1.33	-	1.19	-

3/

SUGAR: VALUE	13.6	22.0	62&	75.0	241&
VOLUME	112.1	73.6	-38.5KG	100.0	#26.4 KG
PRICE/KG.	0.12	\$0.30	-	0.75	-

IMPORTS (CIF) 444.3 695 56& 725.0 4&

4/

FOOD GRAINS: VALUE	17.0	40.1	136&	31.5	-27&
(KILO) VOLUME	130.5	138.0	#7.5 KG	135.0	-3.0 KG
PRICE/KG.	0.13	0.29	-	0.23	-

5/

FERTILIZERS: VALUE	13.1	14.8	13&	21.0	42&
(KILO) VOLUME	173.8	108.5	-65.3 KG	140.0	#31.5 KG
PRICE/KG.	0.08	0.14	-	0.15	-

(CRUDE) PETROLEUM:VALUE	15.1	36.9	144&	43.9	19&
(BARRELS) VOLUME	3.1	2.9	-2 BBLS	3.5	#1.6 BBLS
PRICE/BARREL	4.92	12.80	-	12.73	-

TRADE BALANCE	-100.0	-270	-230
NET SERVICES	-18.9	-8	-9
NET TRANSFERS	7.0	8	11

CURRENT BALANCE -111.9 -270 -228

II CAPITAL MOVEMENTS

6/

NET OFFICIAL CAPITAL (FROM PRIVATE AND PUBLIC SOURCES)
(MEDIUM & LONG TERM) 38.7 65.0 105.0

FROM: U.S. AID	6.8	4.3	8.0
U.S. EX-IM	5.6	1.9	3.5

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PAGE 04 SAN JO 00065 01 OF 02 082111Z

U.S. PRIVATE INSTS 14.2 26.3 34.5
OGG

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PAGE 01 SAN JO 00065 02 OF 02 082209Z

63

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04

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OES-05 IO-10 STR-04 AGR-10 AEC-07 CEA-01 /140 W

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R 081347Z JAN 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8995

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SES SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY PANAMA

UNCLAS SECTION 2 OF 2 SAN JOSE 0065

GUATEMALA FOR ROCAP

BALANCE OF PAYMENTS (CONT'D)

PRELIMINARY EST. PROJ.

1973 1974 1975

OTHER DONOR COUNTRIES - .3 2.6 2.0

OPEC STATES

(VENEZUELAN OIL FACILITY) - - 12.0

COMMUNIST STATES HH .5 - .1 0.0

INTERNATIONAL FINANCIAL

INSTITUTIONS HJ 13.2 31.0 45.0

OTHER -1.3 -1.0 0.0

NET PRIVATE CAPITAL 81.5 115.0 100.0

CAPITAL BALANCE 120.2 180.0 205.0

III OVERALL BALANCE 8.3 -90.0 -23.0

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PAGE 02 SAN JO 00065 02 OF 02 082209Z

FINANCED BY: IMF OIL

FACILITY - 22.8 -

IMF (OTHER) - - -

C.A. STABILIZATION FUND - - 25.0

OTHER SHORT TERM BORROWING 9 36.9 10.0

CHANGE IN RESERVES #17.3 -30.3 #12.0

IV GROSS RESERVES (YEAR END) 76.4 46.1 58.1

V DEBT SERVICE

INTERNAL DEBT AMORT.	114.3	82.0 96.0
INTERNAL DEBT INTEREST	109.6	104.0 129.0
EXTERNAL DEBT AMORT.	48.4	64.0 86.0
EXTERNAL DEBT INTEREST	28.0	51.0 68.0

NOTE: & INDICATES PERCENT SIGN

INDICATES PLUS SIGN

1/ SPOT COFFEE PRICE OF \$0.80/LB. CONSIDERED TOO HIGH FOR "OTHER MILDS", PRICE OF \$0.71 USED WHICH APPEARS TO BE MORE OR LESS OBJECTIVE OF RECENTLY AGREED TO RENTENTION SCHEME.

2/ PRICE OF FEZQYMQ CENTS/KG. HAMBURG USED, BACKED OFF TO COSTA RICA.

3/ PRICE OF 33 CENTS/LB. CONSIDERED TOO LOW GIVEN FUTURE SALES TO DATE (37 CENTS AVERAGE, N.Y). PRICE OF SLIGHTLY OVER 35 CENTS USED.

4/ WHEAT, BEANS AND CORN ALTHOUGH SOME CORN IS FOR ANIMAL USE. BEAN IMPORTS IN 1974 WILL BE UNUSUALLY HIGH RELATIVE TO 1973 DUE TO LATE 1973 PURCHASES THAT DID NOT ARRIVE UNTIL 1974 AND ALSO LARGE PURCHASES THAT WILL BE CARRIED-OVER INTO 1975.

5/ 1974 AND 1975 FIGURES ARE HIGHLY SPECULATIVE AS EMBASSY HAS NO ADEQUATE BASE FROM WHICH TO PROJECT. 1974 VOLUME REDUCED DUE TO LARGE 1973 PURCHASES.

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PAGE 03 SAN JO 00065 02 OF 02 082209Z

6/ INCLUDES BORROWINGS OF STATE ENTERPRISES.

2. COSTA RICA'S GROSS NATIONAL PRODUCT INCREASED BY ABOUT 4 PERCENT IN REAL TERMS DURING 1974, ACCORDING TO PRELIMINARY ESTIMATES. REAL GNP GROWTH IN 1975 SHOULD BE SOMEWHAT LESS, PERHAPS ABOUT 2 PERCENT AS THE ECONOMY NOW APPEARS TO BE ENTERING INTO A RECESSIONARY PHASE.

3. THE COSTA RICAN GOVERNMENT'S PROGRAMS TO DEAL WITH ITS BALANCE OF PAYMENTS PROBLEM CONSIST OF MEASURES DESIGNED TO ENCOURAGE EXPORTS AND TO RESTRAIN IMPORTS. THE EMBASSY WOULD EXPECT THAT THE EXPORT EXPANSION MEASURES, WHICH CONSIST MANILY OF SPECIAL CREDIT AVAILABILITY, WILL AFFECT THE LEVEL OF COSTA RICA'S EXPORTS SLOWLY IF AT ALL. THE

IMPORT RESTRAINT MEASURES -- MAINLY CREDIT RESTRAINTS AND THE PROPOSED CONSUMPTION TAX -- WILL PROBABLY HASTEN AND DEEPEN THE RECESSION THAT ALREADY APPEARS TO BE COMING IN COSTA RICA.

4. IN THE WCNGER RUN COSTA RICA HOPES TO REDUCE ITS DEPENDENCY ON IMPORTS OF BASIC FOODSTUFFS, ANDMLO REDUCE ITS NEED FOR PETROLEUM IMPORTS. THE EMBASSY IS SOMEWHAT SKEPTICAL THAT THE GOVERNMENT'S "BASIC GRAINS" PROGRAM WILL MAKE COSTJIRICA SEL SUFFICIENT IN FOOD IN THE NEAR FUTURE, BUT HYDROELECTRIC POSSIBILITIES IN COSTA RICA SHOULD MAKE IT POSSIBLE TO REDUCE DEPENDENCE ON IMPORTED ENERGY. THE GOVERNMENT IS NOW MOVING AHEAD WITH A MAJOR HYDROELECTRIC PROJECT IN THE NORTHERN PART OF THE COUNTRY CALLED ARENAL.

5. THE EMBASSY HAS NO BASIS ON WHICH TO ESTIMATE THE MARGINAL EFFECT OF THE ENERGY CRISIS ON GNP GROWTH RATES OR ON INCOME DISTRIBUTION. CLEARLY COSTA RICA'S REAL ECONOMIC GROWTH IN 1974 AND 1975 WOULD HAVE BEEN HIGHER BUT FOR THE LARGE INCREASE IN OIL PRICES AND THE RESULTANT INCREASE IN PRICES OF MOST THINGS THAT COSTA RICA IMPORTS. THE EFFECTS OF INFLATION ON THE INCOME DISTRIBUTION IN COSTA RICA WERE ANALYZED IN THE EMBASSY'S A-164 OF DECEMBER 26, 1974.

6 THE MAIN SUPPORT FROM OPEC COUNTRIES TO COSTA RICA IS OF COURSE THE VENEZUELAN OIL DEVELOPMENT FUND WHICH HAS UNCLASSIFIED

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PAGE 04 SAN JO 00065 02 OF 02 082209Z

BEEN FULLY DESCRIBED IN REPORTING FROM CARACAS AND FROM THIS AND OTHER CENTRAL AMERICAN POSTS. THERE HAVE BEEN MANY RUMORS OF ARAB CAPITAL BUT THE EMBASSY HAS NOT BEEN ABLE TO VERIFY ANY ASSISTANCE FROM OEPC COUNTRIES OTHER THAN VENEZUELA.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, DATA, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANJO00065
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750008-0155
From: SAN JOSE
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1975/newtext/t19750169/aaaacipq.tel
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Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC CRISIS: REVIEW OF LDC BALANCE OF PAYMENTS SITUATION
TAGS: EFIN, ECRP, CS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006